



To ME or not to ME?

Despite the corny title (inspired by being involved with this year's Summer Shakespeare) this is an important issue you and your staff should consider.

Two new tax codes have been introduced this year that provide up to \$10 per week tax rebate to sole-income earners up to \$48000.

We recommend giving your employees new IR330 forms (available on our website under Learn..Forms) to complete, as they may be entitled to the new rebate and change of tax code.

Treading lightly on the Earth

We no longer mass-produce annual SmoothPay CDs (we'll provide a CD on request or they can be purchased from our website).

These were a great idea while internet technology was maturing and connection

speeds were an issue, however we now have all our documentation and most tutorials available online, and SmoothPay automatically checks weekly for new updates and newsletters, so the demise of the mass-produced CD was bound to happen eventually.

If you've turned off automatic update checking (not recommended), please visit our website today to obtain the latest release.

Minimum supported version for April is 9.6



2010

We release updates to SmoothPay often, and SmoothPay automatically checks for new versions and newsletters once per week (unless you have turned off auto-update checking in your startup settings). So, please update regularly as we want your payroll processing to be as up to date and as accurate as possible.

Note too that Tax, KiwiSaver, ACC and other rule changes all take effect automatically based on the period ending and pay dates being processed - so there's no need to wait until April to apply the latest version. Don't delay - update today.

To Do by 1 April

- Get employees to complete new [IR330 forms](#)
- Ask employees if they wish to reduce their KiwiSaver contributions to 2%
- Print an Employee Detail report and distribute to employees to record any changes
- Print an Annual Leave Liability report regularly - you never know when you'll need it
- Get a USB data key for backups - [see our guide](#)
- Book your free online training session

Don't delay asking for help as soon as you need it - you'll save time, money and stress

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Save kids from old Smoothpay CDs - dispose of them thoughtfully.



No more ETC!

Employer Tax Credits cease from 1 April.

For those who took advantage of the free tax credit top-ups and passed them on to your employee's KiwiSaver savings - well done! Your staff have benefited, and it didn't cost you anything at all.

We sympathise with those who have had any problems dealing with IRD over ESCT and ETC issues, however you can easily resolve these issues by calling Helen Huaki at IRD direct on (07) 9596725

Your KiwiSaver employees will cost 2% more this year

Yes, that's right - due to the Employer Tax Credits stopping on 1 April, your employment costs for KiwiSaver staff will increase by a minimum of 2%!

Under ETC, these costs were typically offset by the tax credit, but now that it's gone the employer will have to bear the full cost of all contributions to KiwiSaver.

KiwiSaver changes

- 🚫 No more Employer Tax Credits - your KiwiSaver employees will cost up to 2% more this year
- 🚫 Minimum employer contribution increases to 2%
- 🚫 Minimum employee contribution reduces from 4% to 2%, though employees can remain on 4% if they want to

When the tax year changes, SmoothPay will automatically increase the minimum company contribution to 2%, set the default minimum employee contribution to 2%, and will offer to automatically reduce all employee contributions to 2% - you must obtain consent from your employees before doing this. Alternatively, you can edit the employee's Standard Pay entries for those who wish to change, and leave those who wish to remain on 4%.

Newsletters

We've often heard that not everyone gets our newsletters - if that's you then we've done something about it.

From v9.6, SmoothPay's software updater also checks for newsletters. This means we can now deliver directly to the most important SmoothPay user - you!

We're discontinuing the mass-email newsletters of the past, as the administrative burden of maintaining email lists, negligible voluntary sign-ups, and low readership meant we weren't getting the message through to everyone.

For those who used to be on our email lists, but don't directly use SmoothPay, our most recent newsletters are available (as always) on the Newsletters page of our website.

Payroll Basics

In this issue we're introducing a new series called "Payroll Basics" which covers, well, the basics of payroll processing. These will become available as separate documents in the Learn section of our website.

Tax changes:

Oh! Those broken promises!

Despite assurances, some taxpayers (you guessed it - the low income earners) will actually pay more tax this year due to an increase in the ACC Earner Levy (paid as part of the PAYE tax). A summary of main tax changes this year:

1. New tax codes (ME, ME SL, NSW)

The new ME and ME SL tax codes provide for an instant weekly rebate of up to \$10 - make sure your staff complete new IR330 forms to see if they are eligible. The new NSW tax code is for Non-resident Seasonal Workers.

2. Increased ACC Earner Levy

The ACC earner levy is collected as part of your PAYE deduction. It has increased from 1.4% to 1.7%

3. ETC discontinued

Employer Tax Credits cease on 1 April, increasing employer costs by 2% per employee on KiwiSaver. The new version IRD schedules and iFiles exclude the ETC fields.

4. New names for old codes

"No Declaration" becomes "No Notification", "Extra Emolument" becomes "Extra Pay", "Withholding" becomes "Schedular" - they must have employed a graduate at IRD...

5. Large employer threshold

increased to \$250,000

If you pay less than \$250,000 PAYE per year then you need only pay your IR345 once per month. A small saving for growing businesses.

All's well that ends well

We're very proactive in our customer support, offering online, one-on-one training and unbeatable service, all included in your annual subscription.

So, if you have any questions, call and we'll get you sorted pronto.

 SmoothPay

Helpdesk: (06) 3536462

How can the total tax be wrong when SmoothPay has calculated it correctly every pay?

1. Tax Calculation Specifications require earnings to be taxed per pay period (in isolation of previous earnings and other income) and inconsistencies can easily arise

2. An example of the problem
Consider an employee earning \$70000 pays an average tax of %24, yet if he take a couple of days off (no pay) one week, then the tax calculated for that week would only be taxed as if his annual earnings were \$42000 at an average rate of 18%. The consequence of this is that the employee will not have paid enough tax on his full annual income because of the occasional blip in his earnings. Throw in a bonus and some occasional overtime and it can easily get worse (or they could pay too much tax).

3. Show the Tax Tattler

For the reasons above we recommend the Tax Tattler be included on Earnings Certificates so that the employee can determine for themselves whether they should bother preparing a tax return (knowing they may have to pay extra tax, or possibly be entitled to a tax refund).

For more information

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| CERTIFICATE OF EARNINGS 2008/2009 | |
|--|----------------------------------|
| Brown, Logan Main Street Woodville | |
| Occupation Solicitor | Employee's ID number 123-456-789 |
| | Tax code M Extra pays |
| Allowances paid tax free | Amounts paid |
| Employee's full name and address Demonstration Data 23 Springdale Grove Summerhill Palmerston North 4410 | |
| Employee's trade name Demonstration Data | |
| Signature Matt Gardner Date 11/03/2009 | |
| Total PAYE deductions | 2372.72 |
| Earnings liable for premium | 11474.92 |
| Earners premium | 160.65 |
| Tax deductions | 2212.07 |
| Gross earnings | 11474.92 |
| Student Loan repayment deductions | 519.20 |
| KiwiSaver savings (incl net employer subsidy, if any) | 418.67 |
| Employer's ID number | 026-110-913 |
| Period employed during year | from 01/04/2008 to 31/03/2009 |
|  Tax Tattler for Logan Brown: if the earnings shown above are your SOLE INCOME and are for the WHOLE TAX YEAR to date (17 weeks covering 01/05/2008 to 27/06/2008) and your TAX CODE HAS NOT CHANGED during the year, then the total tax at your current code would be \$2,181.27 Your PAYE overpayment is valued at \$131.45 PLEASE CONSULT A TAX PROFESSIONAL TO CONFIRM ANY TAX LIABILITY OR REFUND DUE. | |

What is an Earnings Certificate?

It's been years since IRD abandoned the requirement for IR12 certificates to be distributed to employees for their annual tax returns, however staff usually want a certificate of some sort so they can verify their earnings and make correct tax returns if they want to.

SmoothPay provides for production of Earnings Certificates, per employee (see Pay History) or in bulk (Reports...Earnings Certificates).

The certificate shows the employee's gross earnings, PAYE, Student Loan etc, and can also show the employee if enough (or too much) tax has been deducted in the optional "Tax Tattler".

What's a Tax Tattler?

The Tax Tattler takes a true tax calculation on total recorded earnings and compares that to the actual tax deducted, and reports any difference.

The calculation is performed as though this is their only income for the year. Advice from a tax specialist should be sought before acting on the results.

In a perfect world...

We'd have a flat consumer tax rate - oh, that's right, GST didn't quite become a replacement for tax on earnings, so...

We'd have a modern tax system that could provide an appropriate tax amount for any given amount earned, by taking into account earnings from other sources...as the Tui ad's say "Yeah, right!"

So, for the present we must all adhere to tax rules prescribed for (what we lovingly refer to as) the "Quill age".